

## 2015 VGFOA Spring Conference



### APA Update

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May 22, 2015

Kim Via and Rachel Reamy

Auditor of Public Accounts

### Topics

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- Comparative Report Changes
- Commonwealth Accounting System
- Other Governmental Entities
- Local Gov't Audit Reviews
- Retirement Systems – Audit and Reporting

# Comparative Report Process

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- User Feedback
- Changes – FY 2015
  - Form 500 – Summary of Outstanding Debt
    - Add Back Effective FY 2015 Reporting
    - Balances-
      - Debt Type
      - Function/Activity
  - Comparative Report Exhibit G

## **Commonwealth Accounting System**

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- CARS – Old system
- Cardinal – New system
  - VDOT – Pilot agency – Live Dec 2011
  - Wave 1 Agencies – Live Oct 2014
  - Fully official system – July 1, 2016
- State Disbursements – APA Reports
- Federal Cross-Reference Spreadsheet

### Other Governmental Entities

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- Authorities, Boards, Commissions
  - Audit and Oversight Provisions
  - APA Audit Specifications
  - Requirement – submit audit report to APA 90 days after FYE
  - Contact Information – update APA's records

# APA Organizational Update

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- Martha Mavredes, Auditor of Public Accounts
- Staci Henshaw, Deputy Auditor of Public Accounts
- Laurie Hicks, Local Government and Judicial Systems Specialty Team Director
- Rachel Reamy, Audit Manager – Local Government
- Kim Via, Audit Manager (Retiring Sept 1)
  - ICYDK. RSN. IBROFCR. SCNR. !! 😊

# APA Quality Control Review

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- Overview of APA's QCR process
- Common findings from review over 2013 and 2014 audits
- Increased focus on Single Audit compliance

## APA Quality Control Review

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- Periodic quality control reviews of CPA firms auditing VA localities
- Chapter 4 of the *Specifications for Audits of Counties, Cities & Towns* describes this process
- Copy of the final review report is sent to the audit firm, applicable locality, the Board of Accountancy, and VSCPA



# Quality Control Review Findings

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- Nonperformance of APA audit specifications, includes Circuit Clerk audits (Chapter 6)
- Noncompliance with GASB standards for financial statement presentation
- Improvements needed in audit documentation
  - Risk Assessment
  - Group Audit
  - Sampling
  - Independence (non-audit services)
- Noncompliance with OMB Circular A-133 requirements for single audits

## **Single Audit Quality Control Review**

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- Performed analysis of data submitted to the federal audit clearinghouse for 143 localities' FY14 single audits and noted the following potential deficiencies:
  - Misidentifying major programs
  - Misidentifying and not auditing Type A programs
  - Insufficient audit coverage (50% rule)
  - Misidentifying auditee as High risk
  - Incorrect reporting
  - Untimely submission of data collection form

# Single Audit Quality Control Review

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- Communicate the results of our analysis
  - During the QCR process
  - Sending a letter to CPA firms for applicable localities not in this year's QCR cycle
- Will use results of our Single Audit analysis as a risk factor when determining the next cycle of QCR selections

# Increased Focus on Single Audit Compliance

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- Previous 2007 federal study of single audits resulted in **more than 50% of audits being either unacceptable or limited reliability**
- Common deficiencies noted in federal review:
  - Major program determination problems
  - Improper use of Compliance Supplement or compliance testing problems
  - SEFA deficiencies
  - Inadequate or missing audit documentation
  - Single audit reporting errors
  - Findings problems
  - Errors with Federal Audit Clearinghouse Data Collection Form

# Increased Focus on Single Audit Compliance

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- Important to ensure single audit compliance **now** as we start to transition to the new Uniform Guidance audit requirements
  - May see some FY15 audits that need to test compliance under **new** UG regulations, depending on funding increments to existing awards
  - **ALL FY16** audits will apply new UG audit requirements
  - Auditors may continue to test some awards subject to the “old” OMB circulars and some awards under **new** UG regulations as we transition for several years.

## **Increased Focus on Single Audit Compliance**

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- New UG requires performance of a federal study of single audit quality once every six years **beginning in 2018**
- 2018 timing of federal review may result in selecting single audits that will be implementing new UG requirements for the first time (i.e.: FY16 audits)
- Auditors should be preparing **now** for this study!

# Questions

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# APA Update for GASB Statement No. 68



## APA Update for GASB Statement No. 68

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May 22, 2015

Melissa A. Burke

Auditor of Public Accounts



## Objectives

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- Discuss updates to the *Specifications for Audits of Counties, Cities, and Towns*; and *Specifications for Audits of Authorities, Boards, and Commissions*
- Discuss employer auditor's responsibilities to provide a report to APA
- Provide update on APA's progress of reviewing the employer allocations and schedule of pension amounts

## Reporting Requirements for the Audit Specifications

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- *Specifications for Audits of Counties, Cities, and Towns*
  - 3-7 Retirement Systems
  - If the Political Subdivision is required to have an audit then the employer auditor is required to report the results to APA by October 1

## Reporting Requirements for the Audit Specifications

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- *Specifications for Audits of Authorities, Boards, and Commissions*
  - 2-5 Retirement Systems
  - If the ABC participates in VRS, is audited, **and**
    - 1) personnel expenses are significant **or**
    - 2) management anticipates the expected future pension liability related to their participation in the VRS to be material, then the auditor **must** perform the procedures
  - Report the results to APA by November 30

## Audit Specification Procedures

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- Procedures related to participant eligibility
  - Required to consider employees from pay periods throughout the fiscal year
  - Required to test but is not included in the scope of the opinion or included in the appendix

# Audit Specification Procedures

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- Procedures related to census data and controls over census data
  - FY15 are designed to focus on changes
  - Member Data Reporting Requirements
  - Employer Monthly Reporting Requirements
  - Roles and Responsibilities
    - *myVRS* Navigator access

## Audit Specification Reporting Requirements

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- Perform procedures as part of **examination** in accordance with AT section 101, *Attest Engagements* (AICPA, *Professional Standards*)
- Report and appendix
  - Identify and report on each control environment
  - Provide risks and sampling considerations

## **Audit Specification Reporting Requirements**

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- Important information for preparers of financial reports
  - The definition of covered-employee payroll
    - The payroll of employees that are provided with pensions through the pension plan
  - The definition differs from covered payroll per GASBs 25 and 27
    - Impacts RSI
    - GASB 68 Implementation Guide, questions 106 and 210.

## **Progress of APA's Audit – Census Data**

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- Census data
  - VRS provides assertions regarding completeness and accuracy of the census provided to the actuary
  - APA performs an examination of those assertions and issues a report (*opinion*)



# Progress of APA's Audit – Cost-Sharing

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- Auditor's Opinion
  - Schedule of Employer Allocations
  - Schedule of NPL, Def Inflows, Def Outflows, and Pension Expense

## **Progress of APA's Audit – Agent Multi**

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- **Key Characteristics of Agent Multiple Employer Plans**
  - Assets are pooled for investment purposes, but separate accounts maintained for each employer
  - Employer's share of pooled assets is legally available only for its employees

## **Progress of APA's Audit – Agent Multi**

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- Auditor's Opinion
  - Combining Schedule of Changes in Fiduciary Net Position by Employer
    - Schedule as a whole and on each individual employer column

## Summary

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- Discussed updates to the *Specifications*
- Discussed employer auditor's responsibilities to provide a report to APA
- Provided an update on APA's progress for GASB Statement No. 68

### Resources

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- [www.apa.virginia.gov](http://www.apa.virginia.gov)
  - Local Government
  - Includes the AICPA White Paper Series for pensions, and relevant AU-C interpretations
  - Includes GASB Guide to Implementation of GASB Statement 68 on Accounting and Financial Reporting for Pensions
  - [APAVRSSupport@apa.Virginia.gov](mailto:APAVRSSupport@apa.Virginia.gov)

# Resources

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- [www.varetire.org](http://www.varetire.org)
  - Financial Reporting section
  - Employer Manuals
  - VRS University (KC)
  - *myVRS* Navigator reports for census data

# Questions

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### Contact Information

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